RECREATION & SPORT

CAPITALIZING ON SPORT EVENTS

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CAPITALIZING ON SPORT EVENTS

The continuum of sports participation from recreation to excellence requires that at some point participants come together to test their skills in a competitive environment. These competitions are of different magnitudes, involve amateur and professional athletes and range from community to international levels of competition.

Sport events bring participants and spectators into the defined area, creating an economic impact. The magnitude of the impact varies with the size, nature and scope of the event, but economic impacts are usually of the following nature:

CAPITAL EXPENDITURES:

* expenditures to construct competitive venues, housing, improved access and other infrastructure

* expenditures to construct private sector infrastructure such as hotels and restaurants in response to increased demand

OPERATING EXPENDITURES:

* operating expenditures for goods and services necessary for the event

INDUCED BENEFITS:

* direct employment generated by and for the event

* expenditures by participants, spectators and the media at the event

INDIRECT BENEFITS:

* increased tourism after the event as a result of marketing and new infrastructure

* development of the volunteer skills and community involvement necessary to host future sport events

OTHER IMPACTS

* potential changes in the activity patterns of the residents of the area

* outflow of residents taking holidays during the event

* possible decrease in post-event tourism

* potential negative economic impacts associated with ongoing operating expenditures of facilities constructed for the event.

The net economic impact of an event is the sum of the benefits less the sum of the costs.

The position taken in this paper is that it is the provincial economy as a whole that is of concern, and that a net economic benefit to the economy is an outcome that must be achieved. At the same time, a project which requires considerable government funding to achieve a limited net benefit is not a desirable outcome. The ratio of government funding to net benefit is also, therefore, of importance.

The purpose of this paper is to propose a strategy by which the number of sports events with a high net economic benefit and a high government multiplier, being held in British Columbia can be increased.

A MODEL TO ESTIMATE THE ECONOMIC IMPACT OF SPORT EVENTS

A simple computer model has been developed to provide a preliminary estimate of the economic impact of sports events. Some 15 input variables are used to calculate the impact upon the provincial economy of spectator, competitor and volunteer expenditures; operating and capital expenditures; the value of sponsor contributions and municipal, provincial and federal contributions.

Impacts are calculated based upon the applicable local multipliers and added to provide an estimate of the total impact. A revenue coefficient is used to estimate the direct return to the three levels of government as a result of these expenditures. A net yield for each level is calculated as the difference between the projected direct revenues and their contribution. Finally, a total provincial return is calculated as the sum of the municipal and provincial net yield, the operating profit and the total impact.

The model does not consider:

1) the impact of facilities beyond the construction impact,
2) the impact of increased or decreased tourism as a result of media exposure or marketing,
3) future tourism resulting from attendance at the event.

Pre-testing of the model and comparing the results for known events suggests that total impacts are of the appropriate magnitude and that the model is useful in comparing the impacts of events and estimating the impact of various changes in the input variables. An example follows (Table 1) which demonstrates the potential impacts of a large multi-sport event taking place in the Vancouver area. While direct municipal and provincial yields are negative due to the size of the contribution required to construct facilities, the total impacts generated by expenditures suggest a significant return to the provincial economy.

TABLE 1

POTENTIAL IMPACT OF A LARGE MULTI-SPORT EVENT

COMPUTER MODEL DATA

	INPUT	
1	Number of Participants	7000
2	Number of Spectators	15000
3	Number of Event Days	14
4	Number of Volunteers	2000
5	Volunteer/Person Expenditure	$200
6	Estimated Days Expenditure per Competitor	$75
7	Estimated days Expenditure per Spectator	$100
8	Event Capital Exp.	$20000000
9	Induced Cap. Exp.	$5000000
10	Direct Operating Exp.	$25000000
11	Total Operating Rev.	$25000000
12	Value of Sponsor Cont.	$10000000
13	Municipal Contribution	$10000000
14	Provincial Contrib.	$15000000
15	Federal Contribution	$15000000
16	International Contrib.	$5000

OUTPUTS & MULTIPLIERS	
Participant Days	98000
Spectator Days	210000
Total Attendance Days	308000
Competitor Expenditures	$7350000
Spectator Expenditures	$21000000
Visitor Expenditures	$28350000
Volunteer Expenditures	$400000
% due to event	0.25
OPERATING PROFIT	0
Sponsor Multiplier	0.3
Employment Multiplier	0.000102
Municipal Rev Coeff.	0.018
Prov Rev Coefficient	0.033
Federal Rev Coefficient	0.083
Municipal Revenues	$2329488
Prov. Revenues	$4270728
Federal Revenues	$10741528
Total Visitor Impact	$43942500
Total Volunteer Impact	$616000
Total Construct. Impact	$31160000
Tot. Induced Const.Impac.	$697500
Tot. Oper Exp. Impact	$40000000
Total Sponsor Impacts	$13000000
TOTAL IMPACT	$129416000
NET MUNICIPAL YIELD	$-7670512
NET PROVINCIAL YIELD	$-10729272
NET FEDERAL YIELD	$-4258472
TOT. PROV. RETURN	$111016216
EMPLOYMENT GENERATED	5482.5

CATEGORIES OF HIGH IMPACT SPORT EVENTS

As part of the planning for Sport Events, an attempt was made to classify events by the scale of their economic impact. Three categories of event were identified:

1. Major Regional and Provincial Events and Smaller National Events

   Events in this category are characterized by:

   * participation of between 50 and 300 competitors
   * minimal (less than 200) spectator participation
   * short (less than 4 days) timespan
   * minimal facility construction/renovation
   * significant impacts generated within the local economy, particularly smaller communities, but negligible impacts provincially
   * hosting by volunteer organizations of less than 50 people
   * minimal financial contributions from governments but with usually some commercial sponsorship
   * total impacts rangings from $100,000 to $500,000 on the <u>local</u> economy.

   Examples include most national championships and larger provincial championships, and invitational tournaments.

2. Major National and Smaller International Events

Events in this category are characterized by:

* participation of between 50 and 1,000 competitors

* significant (greater than 1,000) out-of-province spectator participation

* usually 4 to 7 days in length

* some minor facility construction (less than $.1m) or renovation

* larger (usually greater than 100) organizing committees

* financial participation by all levels of government and potential significant commercial sponsorships

* significant media coverage

* significant impacts upon the provincial economies - usually greater than $1m - as demonstrated by the 1985 Golden Oldies Field Hockey Tournament in Victoria, British Columbia.

Examples within this category include national championships such as the Labatts Brier which attract significant numbers of spectators, smaller world championships such as the Junior Men's World Field Hockey Championship and major national and international tournaments or competitions such as Skate Canada. See Appendix A for details of such competitions.

3. Major International Events

Events in this category are characterized by

* between 1,000 and 10,000 competitors
* more than 1,000 out-of-province spectators
* 4 to 14 days in length
* major facility construction (greater than $1m)
* larger and complex organizing committees
* considerable government financial involvement and commercial sponsorship
* economic impacts of greater than $10m on the provincial economy.

Examples include the Olympics, Pan-American Games, World Master Games as demonstrated in the Case Studies (see Appendix A).

CONCLUSIONS

The following conclusions can be drawn from this study:

1. Identification of High Return Events

   Some events will yield a higher return on the local and provincial investments than others depending upon the following factors.

   * the presence or absence of existing facilities
   * the "re-usability" of new facilities
   * the capability to support continuing operating expenditures of new facilities
   * the existence of a suitable size pool of volunteers
   * attraction of a large number of participants and spectators from outside of the province for a maximum length of time
   * a successful marketing program to increase post event tourism
   * cooperation and coordination between the private sector and the organizing committee to ensure the maximum return on the publicity of the event, the attendance of spectators and participants and development of appropriate infrastructure
   * presence or absence of leakages which remove benefits from the provincial economy
   * effective and efficient organizing committees to manage the event.

Recommendation

* Provinces should analyse the factors which determine the potential return of individual events and identify the events that should be considered.

2. Sport Event Plan

Major sport events usually require submissions for hosting proposals 2 to 4 years in advance. The success of the proposals lies in several factors:

* the cyclic nature of many events

* existence of prerequisite facilities and infrastructure

* demonstrated support of political bodies, business groups and service clubs

* an acceptable funding formula

* a committed, capable organizing committee.

A 10 year plan for submitting proposals, developing required facilities and providing encouragement and support to organizing committees, should identify:

* which events are due to be hosted by your province and when

* what facilities and infrastructure are required and the potential locations within the province

* the potential locational and sequential linkages and conflicts between events

* required level and type of organizational structure and level of support needed

* a preliminary financial plan.

Recommendation

* **Provinces should develop a 10 year event plan and strategy for attracting identified events which have a high return.**

3. Organizing Committee Assistance

The economic and political attractiveness of many events means that competition to host the event is often fierce and requires extensive, sophisticated and often expensive hosting proposals. Organizing committees may require:

* financial assistance

* advisory assistance

* political support

With a successful bid, organizing committees may need the following provincial assistance:

* continuing liaison with the political structure to assist with promotion of the event

* development of leadership training opportunities for volunteers

* encouragement of linkages between the public and private sectors to capitalize on the event

* provision of ongoing consultation services to ensure the organizing committee is both effective and efficient

* provision of specific, short term, technical advisory services by provincial employees (e.g. communication systems, computer systems, tourism marketing, protocol, transportation services).

Recommendation

* Provinces should develop programs which provide support to organizing committees of high return sports events.

APPENDIX A - CASE STUDIES

1979 CANADA WINTER GAMES (BRANDON)

A review of the economic impacts of this national, multi-sport event suggests that the "capital, operating and other expenditures associated with staging the Winter Games have a significant positive, albeit temporary, impact on income and employment in the host community and province" but that the long term effects, including addition of new facilities, are limited and of mixed effect.

The impact of $3.99 m in capital expenditures had a positive impact upon the Brandon ($1.03m) and Manitoba ($1.67m) economies over the period of construction. Games operating expenditures of $1.77m had a further impact of $1.06m on the Brandon economy and $1.89m on the Manitoba economy. Expenditures by games participants were estimated at $.11m with impacts of $.08m in Brandon and $.16m in Manitoba. Expenditures by spectators were difficult to estimate and were probably offset by the negative impact of Brandonites leaving for vacation as a result of school closures.

The City of Brandon acquired facilities valued at $3.99m at a direct cost of $.6m. The additional facilities have, however, increased the annual net recreational expenditures by approximately $.32m (1978-79) and resulted in a 1% increase in property taxes.

Expenditures by the federal, provincial and municipal governments for capital and operating expenditures total $4.72m which generated $5.86m in income within the Province of Manitoba.

Other benefits which were identified, but could not be quantified, include increased community involvement and civic pride and increased sport and fitness consciousness.

1988 CALGARY WINTER OLYMPICS

Estimates prepared for the Government of Alberta illustrate the positive economic impacts generated by an international multi-sport event. For direct provincial expenditures of $239m (1981 $) to develop capital projects the event is estimated to contribute between $457 and $492m to the Alberta economy and a further $51m to the Canadian economy. Operating expenditures of $320m are expected to be covered primarily by the proceeds of national lotteries ($200m) and other games revenues from television and sponsorships. The Olympics will stimulate the development of $239m in capital facilities including some which are not presently available in Canada. A legacy of $30m in included in the Operating Funds to stimulate further development of sports in Alberta.

The construction of the facilities will generate an estimated 2400 - 2900 man years of employment and planning activities a further 1800 man years over the pre-games period. Other positive impacts which could not be quantified include employment during the Olympics, increased tourism to the Calgary area and the availability of new sports facilities for the use of residents, training of athletes and future international scale events.

1984 CANADIAN MENS CURLING CHAMPIONSHIPS

This event, popularly known as the Labatt Brier, attracted 3950 spectators, 60 participants and 100 media personnel to Victoria. Direct visitor expenditures totalled $1.34m (1984$) with estimated additional impacts of $.87m on the Victoria economy. Committee and sponsor expenditures within the community totalled $.60m with additional impacts estimated at $.35m.

The event involved approximately 900 volunteers who devoted 72000 hours and $.18m on personal expenses. The organization consisted of 27 committees within 4 divisions and was headed by a 9 member Board of Directors. A complete Operations Manual and computer developed Critical Path timelines assisted in the effective functioning of the event.

The Brier required minimal capital improvements and was not significantly financially assisted by governments. Financial assistance was primarily provided by one private sector sponsor with some involvement by local sponsors. A legacy of approximately $.1m remains in the community to assist with future sport development.

The total impact of the event on the local economy is estimated at $3.46m with estimated direct municipal revenues of $.038m and direct provincial revenues of $.70m.